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C O N F I D E N T I A L SECTION 01 OF 02 ROME 000338

SIPDIS

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TAGS: [ENRG](#) [ECON](#) [EPET](#) [IT](#) [EUN](#)

SUBJECT: ITALY FACING AN ENERGY CRISIS?

REF: A. JAN 20 ROME DAILY SIPRNET REPORT

[1](#)B. JAN 18 ROME DAILY SIPRNET REPORT

[1](#)C. JAN 3 ROME DAILY SIPRNET REPORT

[1](#)D. 05 ROME 4155

Classified By: Acting EcMin Richard Boly for reasons 1.5 (b) and (d)

[1](#)1. (C) Summary: An unexpectedly cold winter and miscalculation of the rate at which Italy consumes natural gas may mean that Italy will not have sufficient gas reserves to generate electricity for the remainder of the winter, according to knowledgeable Embassy sources. In a worst case scenario, this might lead Italy to cease exporting electricity, shifting electricity shortages to other parts of the EU and causing Italy to break EU agreements and bilateral electricity supply contracts. An unusually cold winter has raised Italy's domestic demand for electricity, 40 percent of which is generated using natural gas. End summary.

[1](#)2. (C) Italy may face an electricity crisis by the end of March, according to Diego Gavagnin (strictly protect), a reliable Embassy source with extensive experience with Italy's National Energy and Environmental Research Agency (ENEA) and the National Energy Authority. According to Gavagnin, reduced gas flows from Russia have exacerbated a shortage in Italy's natural gas reserves. These reserves, according to Gavagnin, are insufficient to meet the demand for electricity generation in this unusually cold European winter. The problem is exacerbated by the fact that Italy is a net exporter of electricity and has added new production plants totalling 9000 MWH over the past year in an effort to meet increased domestic and foreign demand. Gavagnin speculates that the government will cut off electricity exports to other parts of Europe rather than face the consequences of energy rationing at home. Gavagnin's analysis was corroborated by Carlo Crea, Secretary General of the Italian Energy Authority (strictly protect), who said Italian electrical plants are using natural gas at a faster rate than normal in an effort to meet the increased demand for electricity throughout Europe. According to Crea, Italy is about one month ahead of its normal level of annual natural gas use.

[1](#)3. (C) Press reports today quoted Productive Activities Undersecretary Mario Valducci as saying that "if, as it is almost certain, demand for natural gas will increase with dropping temperatures," Italy will have about ten days of "working reserves" to meet the increased demand. After that, Italy will have to tap into its 5.1 billion cubic meter strategic natural gas reserve, which may not be sufficient to last the winter. Gavagnin estimates that the strategic reserve, and reduced gas flows from Russia, will only be sufficient to meet demand through the end of March. (Note: This contrasts sharply with statements by ENI CEO Paolo Scaroni, reported Ref C, that reserves would be sufficient for 300 days of normal use, and suggest that calculations done at the beginning of January did not take into account Italy's increased electricity exports and increased production due to high demand and cold weather. End note.)

[1](#)4. (C) Although the GOI has not publicly acknowledged the serious problems posed by the inadequacy of its natural gas reserves, it is taking steps to cut natural gas consumption to ensure that Italy will be able to meet its power generation needs (and those of its foreign customers) through the end of winter. According to Crea, the government has convened the committee which deals with energy crises, has sent out surveys to determine which industries would have their gas supply rationed if needed, and is discussing the feasibility of measures such as electricity rationing. Gavagnin informed us that natural gas deliveries to industries with preferred contracts (such as the paper industry) have suffered some interruptions, but that no electricity producers have seen their deliveries cut.

[1](#)5. (C) Comment. We have not been able to get an official comment from GOI officials on Gavagnin and Crea's statements or on the numerous articles in the press regarding the implications of a shortage in Italy's gas reserves. Our normally candid interlocutors won't discuss this issue, which leads us to believe that the government is working on a solution and avoiding statements that might cause public alarm.

[1](#)6. (C) Comment Continued. If Gavagnin and Crea are correct, the real problem will come when the GOI is forced to

choose between cutting off its electricity exports and imposing electricity rations within Italy. If the GOI decides to reduce its exports, it will pass the electricity shortfall on to other parts of Europe, breaking EU agreements and electricity contracts in the process.

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